

November 10, 2011

Dr. David Palmer
Chief Actuary
Health and Human Services Commission
1100 W. 49th Street
Austin, Texas 78756

Re: STAR Rate Amendment

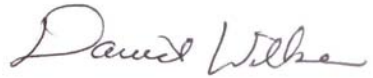
Dear Dr. Palmer:

The Health and Human Services Commission (HHSC) has made further revisions to the Medicaid fee schedules used to reimburse durable medical equipment providers, physical/occupational/speech therapists (PT/OT/ST) and the Diagnosis-related Group (DRG) system used to reimburse many of the state's inpatient facilities. These changes went into effect September 1, 2011. The current FY2012 STAR capitation rates were developed using previous versions of the reimbursement schedules for these providers which were assumed to be effective September 1, 2011. After a comparison of the old and new reimbursement factors it was determined that the new factors would materially impact the capitation rates. As a result, we have re-determined the FY2012 capitation rates based on these new factors.

This letter amends the report titled State of Texas Medicaid Managed Care STAR Program Rate Setting State Fiscal Year 2012 and dated July 1, 2011. The amended FY2012 capitation rates were developed using identical methods and assumptions as the rates described in that report (current rates), except for the revised DME, PT/OT/ST and DRG rebasing factors. The capitation rates payable for the two-month period January 1, 2012 through February 29, 2012 have been adjusted to recognize that the current capitation rates will be payable for the period September 1, 2011 through December 31, 2011, i.e., the rates have been adjusted in order to produce the amended capitation amounts for the September 1, 2011 through February 29, 2012 period. Effective March 1, 2012, the capitation rates will be set at the FY2012 amended rates.

The attached Exhibit A presents both (i) the FY2012 capitation rates to be payable for the two-month period January 1, 2012 through February 29, 2012 and (ii) the amended FY2012 STAR capitation rates to be payable for the period March 1, 2012 through August 31, 2012.

Attachment 5 - Exhibit E (revised) presents the revised DME and PT/OT/ST reimbursement factors and Attachment 5 - Exhibit F (revised) presents the revised DRG rebasing adjustment factors used in developing the amended capitation rates.

A handwritten signature in cursive script that reads "David Wilkes". The signature is written in black ink and is positioned above the printed name.

David Wilkes

Actuarial Certification of Amended FY2012 STAR HMO Capitation Rates

I, David G. Wilkes, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Academy's qualification standards for rendering this opinion.

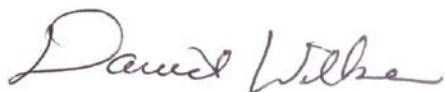
Rudd and Wisdom has been retained by the Texas Health and Human Services Commission (HHSC) to assist in the development of their state fiscal year 2012 (FY2012) managed care rate-setting methodology, assumptions and resulting capitation rates and to provide the actuarial certification required under Centers for Medicare and Medicaid Services (CMS) requirements 42 CFR 438.6(c).

I certify that the amended FY2012 HMO capitation rates developed by HHSC and Rudd and Wisdom satisfy the following:

- (a) The capitation rates have been developed in accordance with generally accepted actuarial principals and practices;
- (b) The capitation rates are appropriate for the populations and services covered under the managed care contract; and
- (c) The capitation rates are actuarially sound as defined in the regulations.

We have relied on historical experience data and program information provided to us by HHSC. We have reviewed the data for reasonableness but have not audited the data.

Please note that actual health plan contractor experience will differ from these projections. Rudd and Wisdom has developed these rates on behalf of the State to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c). Any health plan contracting with the State should analyze its own projected premium needs before deciding whether to contract with the State.



David G. Wilkes, F.S.A., M.A.A.A.

FY2012 STAR Capitation Rates - Amended
Adjusted Per Member Per Month Rates

Health Plan	TANF Children (over age 1)	TANF Children (< 1)	TANF Adults	Pregnant Women	Newborns	Expansion Children (over age 1)	Expansion Children (< 1)	Federal Mandate Children	Delivery Supplemental Payment
Effective January 1, 2012									
Aetna - Bexar	\$ 146.00	\$ 195.85	\$ 321.75	\$ 448.39	\$ 550.43	\$ 130.97	\$ 324.06	\$ 89.48	\$ 3,266.59
CFHP - Bexar	121.13	312.72	339.66	445.50	595.00	136.25	222.09	93.74	3,266.59
Superior - Bexar	137.67	280.42	373.84	442.92	597.77	146.08	255.26	97.63	3,266.59
Americaid - Dallas	119.43	405.76	247.20	469.34	517.30	132.29	284.03	92.37	3,537.13
Parkland - Dallas	164.91	417.96	331.13	476.03	600.46	166.75	362.69	106.68	3,537.13
Unicare - Dallas	185.17	410.76	268.98	476.75	627.05	152.81	242.33	79.79	3,537.13
El Paso First - El Paso	111.15	273.62	268.61	351.76	462.30	112.54	229.21	82.19	3,443.04
Superior - El Paso	100.48	247.38	257.64	352.31	444.06	114.33	275.52	85.65	3,443.04
Americaid - Harris	117.91	419.83	449.67	513.23	630.87	112.59	329.11	91.53	3,519.20
CHC - Harris	133.84	415.04	391.42	511.08	634.78	133.64	266.06	88.79	3,519.20
Molina - Harris	79.86	290.45	343.47	480.70	631.22	117.89	351.11	95.67	3,519.20
TCHP - Harris	137.30	291.76	314.65	484.77	587.03	130.35	249.86	100.13	3,519.20
United - Harris	73.85	446.16	433.22	485.41	782.09	108.82	289.42	92.58	3,519.20
Firstcare - Lubbock	103.20	743.95	331.92	452.68	565.71	99.66	336.45	85.07	3,230.39
Superior - Lubbock	141.77	695.04	316.84	459.69	553.26	120.95	521.92	71.91	3,230.39
Americaid - Nueces	186.37	325.93	361.60	561.08	654.98	165.91	386.34	102.01	3,203.82
Driscoll - Nueces	167.02	424.13	357.88	530.23	749.62	167.77	249.15	124.02	3,203.82
Superior - Nueces	132.50	315.32	467.23	522.29	765.88	174.66	392.27	126.46	3,203.82
Aetna - Tarrant	128.63	214.82	266.31	476.39	526.83	89.59	175.24	80.29	3,635.64
Americaid - Tarrant	129.77	304.83	326.99	463.61	560.32	122.95	222.11	91.56	3,635.64
Cook - Tarrant	172.18	388.47	250.09	479.65	537.49	153.94	346.85	106.26	3,635.64
Americaid - Travis	107.95	358.51	258.14	536.31	668.08	118.67	298.97	83.92	3,247.49
Superior - Travis	123.69	333.70	315.08	540.80	681.39	133.48	279.69	90.23	3,247.49

FY2012 STAR Capitation Rates - Amended
Adjusted Per Member Per Month Rates

Health Plan	TANF Children (over age 1)	TANF Children (< 1)	TANF Adults	Pregnant Women	Newborns	Expansion Children (over age 1)	Expansion Children (< 1)	Federal Mandate Children	Delivery Supplemental Payment
Effective March 1, 2012									
Aetna - Bexar	\$ 145.06	\$ 192.36	\$ 317.13	\$ 432.43	\$ 540.47	\$ 130.36	\$ 320.12	\$ 89.09	\$ 3,266.59
CFHP - Bexar	120.36	307.16	334.78	429.64	584.23	135.61	219.39	93.34	3,266.59
Superior - Bexar	136.79	275.43	368.47	427.15	586.95	145.39	252.15	97.21	3,266.59
Americaid - Dallas	119.05	404.56	244.50	457.72	511.34	131.92	282.98	92.20	3,537.13
Parkland - Dallas	164.38	416.73	327.51	464.24	593.55	166.28	361.34	106.48	3,537.13
Unicare - Dallas	184.57	409.55	266.04	464.95	619.83	152.37	241.43	79.65	3,537.13
El Paso First - El Paso	110.53	269.33	263.78	335.50	452.42	111.76	224.73	81.83	3,443.04
Superior - El Paso	99.92	243.50	253.01	336.02	434.56	113.54	270.14	85.28	3,443.04
Americaid - Harris	117.53	416.75	444.81	501.38	624.49	112.30	328.46	91.30	3,519.20
CHC - Harris	133.42	412.00	387.19	499.28	628.36	133.30	265.53	88.57	3,519.20
Molina - Harris	79.61	288.33	339.76	469.60	624.84	117.59	350.42	95.43	3,519.20
TCHP - Harris	136.87	289.63	311.25	473.58	581.09	130.02	249.36	99.88	3,519.20
United - Harris	73.62	442.90	428.54	474.20	774.18	108.54	288.85	92.35	3,519.20
Firstcare - Lubbock	102.51	738.98	320.57	423.64	556.88	99.17	323.85	84.49	3,230.39
Superior - Lubbock	140.82	690.40	306.00	430.19	544.63	120.35	502.37	71.42	3,230.39
Americaid - Nueces	185.08	323.19	352.10	534.31	643.50	165.17	382.46	101.63	3,203.82
Driscoll - Nueces	165.87	420.56	348.47	504.93	736.48	167.03	246.65	123.56	3,203.82
Superior - Nueces	131.58	312.66	454.95	497.37	752.46	173.89	388.33	125.99	3,203.82
Aetna - Tarrant	127.93	212.81	261.86	449.37	515.70	89.29	174.56	79.99	3,635.64
Americaid - Tarrant	129.06	301.97	321.53	437.32	548.48	122.54	221.26	91.22	3,635.64
Cook - Tarrant	171.24	384.83	245.91	452.45	526.13	153.43	345.51	105.87	3,635.64
Americaid - Travis	107.59	357.17	255.24	523.77	662.51	118.42	297.22	83.73	3,247.49
Superior - Travis	123.27	332.45	311.54	528.15	675.71	133.21	278.06	90.04	3,247.49

FY2012 STAR Rating
 Provider Reimbursement Adjustments
 Legislative Mandated Provider Rates Reductions

	TANF Children Age 1+	TANF Children <1	TANF Adult	Pregnant Women	Newborn	Expansion Children Age 1+	Expansion Children <1	Federal Mandate Children	Other	Total
Impact of Legislative Mandated Provider Rates Reductions (1)										
Bexar	-366,323	-43,511	-381,226	-1,774,101	-1,263,080	-1,992,161	-62,782	-1,978,310	-28,281	-7,889,776
Dallas	-364,259	-38,967	-349,222	-2,439,859	-966,747	-2,911,713	-216,201	-2,484,035	-98,594	-9,869,596
El Paso	-173,260	-14,931	-113,625	-631,146	-205,304	-684,123	-32,482	-770,612	-3,907	-2,629,390
Harris	-533,571	-63,328	-528,814	-3,634,509	-1,601,513	-4,654,626	-352,240	-4,320,873	-56,884	-15,746,358
Lubbock	-50,839	-9,154	-45,868	-244,528	-108,906	-184,624	-9,429	-199,280	-943	-853,571
Nueces	-230,779	-27,317	-181,135	-665,915	-467,923	-1,015,727	-27,866	-899,410	-7,238	-3,523,310
Tarrant	-214,400	-34,342	-156,199	-1,831,006	-1,171,569	-2,151,648	-176,187	-1,901,451	-40,433	-7,677,237
Travis	-714,227	-106,145	-740,812	-629,538	-674,379	-1,118,918	-101,053	-795,045	-18,106	-4,898,223
Total	-2,647,658	-337,695	-2,496,901	-11,850,603	-6,459,421	-14,713,539	-978,241	-13,349,016	-254,387	-53,087,462
FY2010 Total Incurred Claims (2)										
Bexar	11,814,350	1,705,740	12,355,452	89,397,128	108,325,322	69,447,902	2,809,655	62,303,590	1,487,603	359,646,741
Dallas	15,872,524	3,713,852	9,959,587	113,585,600	128,522,361	132,975,806	16,840,484	104,041,748	6,527,977	532,039,940
El Paso	6,933,684	1,108,559	4,973,859	37,237,153	37,331,851	27,930,560	2,612,467	32,025,933	306,309	150,460,375
Harris	19,810,109	4,259,359	18,734,012	195,201,555	266,430,500	175,890,945	22,257,915	158,660,351	6,985,812	868,230,559
Lubbock	2,551,227	1,160,762	2,768,833	18,809,714	20,763,886	9,291,210	1,091,995	9,817,663	203,063	66,458,351
Nueces	6,762,820	981,263	6,379,457	35,878,673	44,709,938	28,017,747	1,039,884	27,828,354	3,654,463	155,252,599
Tarrant	6,537,777	1,106,118	4,933,173	84,882,044	85,626,784	63,919,597	7,088,081	57,573,205	1,932,156	313,598,936
Travis	21,051,795	4,328,531	22,875,606	34,907,690	52,993,787	34,629,785	5,214,155	24,486,724	2,423,285	202,911,359
Total	91,334,286	18,364,184	82,979,980	609,899,558	744,704,428	542,103,553	58,954,636	476,737,569	23,520,667	2,648,598,860
Rate Adjustment (3)										
Bexar	-3.10 %	-2.55 %	-3.09 %	-1.98 %	-1.17 %	-2.87 %	-2.23 %	-3.18 %	-1.90 %	-2.19 %
Dallas	-2.29 %	-1.05 %	-3.51 %	-2.15 %	-0.75 %	-2.19 %	-1.28 %	-2.39 %	-1.51 %	-1.86 %
El Paso	-2.50 %	-1.35 %	-2.28 %	-1.69 %	-0.55 %	-2.45 %	-1.24 %	-2.41 %	-1.28 %	-1.75 %
Harris	-2.69 %	-1.49 %	-2.82 %	-1.86 %	-0.60 %	-2.65 %	-1.58 %	-2.72 %	-0.81 %	-1.81 %
Lubbock	-1.99 %	-0.79 %	-1.66 %	-1.30 %	-0.52 %	-1.99 %	-0.86 %	-2.03 %	-0.46 %	-1.28 %
Nueces	-3.41 %	-2.78 %	-2.84 %	-1.86 %	-1.05 %	-3.63 %	-2.68 %	-3.23 %	-0.20 %	-2.27 %
Tarrant	-3.28 %	-3.10 %	-3.17 %	-2.16 %	-1.37 %	-3.37 %	-2.49 %	-3.30 %	-2.09 %	-2.45 %
Travis	-3.39 %	-2.45 %	-3.24 %	-1.80 %	-1.27 %	-3.23 %	-1.94 %	-3.25 %	-0.75 %	-2.41 %
Total	-2.90 %	-1.84 %	-3.01 %	-1.94 %	-0.87 %	-2.71 %	-1.66 %	-2.80 %	-1.08 %	-2.00 %

Footnotes:

- (1) Equals the savings resulting from application of the legislative-mandated provider rates reductions to the FY2010 encounter data. The fee reductions include 8% to OP hospital, 10.5% lab (excludes DSHS and physician lab), varying DME and 5% for all other providers excluding ambulance, PDN, home health (for children only), dental, ortho, physicians (includes psychiatrists, optometrists and radiologists), FQHCs, RHCs and TEFRA reimbursed hospitals. Note that this adjustment does not include the 8% inpatient facility reduction. That adjustment is included elsewhere along with the DRG rebasing adjustment.
- (2) Equals FY2010 health plan fee-for-service claims for all services (ICHP provided encounter data).
- (3) Equals estimated savings divided by FY2010 Total Incurred Claims.

FY2012 STAR Rating

Provider Reimbursement Adjustments

Legislative Mandated Inpatient Facility Rate Reductions and DRG Rebasing (1)

	TANF Children Age 1+	TANF Children <1	TANF Adult	Pregnant Women	Newborn	Expansion Children Age 1+	Expansion Children <1	Federal Mandate Children	Other	Total
Impact of 8% Inpatient Facility Rate Reduction and DRG Rebasing (1)										
Bexar	-339,355	-149,482	-538,143	-9,292,521	-15,311,642	-1,560,541	-197,904	-1,823,121	-97,822	-29,310,531
Dallas	-97,341	-58,054	-81,670	-3,437,167	-6,174,192	-678,044	-186,851	-433,907	26,728	-11,120,498
El Paso	-270,468	-142,839	-171,464	-3,994,636	-5,564,194	-932,899	-139,828	-927,016	-36,485	-12,179,828
Harris	-106,427	-146,045	-285,304	-8,229,153	-29,369,022	-672,138	-216,878	-1,201,386	-460,754	-40,687,107
Lubbock	50,392	2,344	306,016	1,705,305	844,276	75,909	-4,474	2,123	15,544	2,997,435
Nueces	8,427	17,908	90,014	-1,051,087	-993,149	-1,283	1,013	-34,213	-23,936	-1,986,305
Tarrant	-16,331	-2,573	-26,683	-260,055	-1,711,469	-16,444	-4,188	-41,651	10,976	-2,068,417
Travis	-7,746	-87,927	793,550	136,151	-2,796,556	14,354	-17,055	-66,943	-47,252	-2,079,424
Total	-778,849	-566,668	86,317	-24,423,163	-61,075,948	-3,771,086	-766,164	-4,526,114	-613,001	-96,434,676
FY2010 Total Incurred Claims (2)										
Bexar	11,898,288	1,707,755	12,473,235	89,909,910	108,850,713	69,680,648	2,819,596	62,871,183	1,487,603	361,698,933
Dallas	15,872,524	3,713,852	9,959,587	113,585,600	128,522,361	132,975,806	16,840,484	104,041,748	6,527,977	532,039,940
El Paso	6,941,273	1,109,062	4,977,203	37,325,173	37,408,599	28,027,963	2,618,288	32,175,933	306,309	150,889,802
Harris	20,269,589	4,403,184	19,336,487	199,208,320	270,109,033	178,468,853	22,415,938	161,776,444	6,985,812	882,973,660
Lubbock	4,242,260	1,987,028	4,757,996	29,275,893	36,518,529	17,274,908	1,920,579	17,329,524	203,063	113,509,781
Nueces	7,209,010	1,126,851	6,773,925	37,327,471	47,518,437	29,576,775	1,070,625	29,486,707	3,654,463	163,744,263
Tarrant	6,537,777	1,106,118	4,933,173	84,882,044	85,626,784	63,919,597	7,088,081	57,573,205	1,932,156	313,598,936
Travis	21,273,617	4,356,013	23,154,951	35,374,118	53,826,153	35,054,679	5,327,919	24,921,412	2,423,285	205,712,147
Total	94,244,338	19,509,864	86,366,558	626,888,529	768,380,608	554,979,229	60,101,511	490,176,157	23,520,667	2,724,167,462
Rate Adjustment (3)										
Bexar	-2.38 %	-7.29 %	-3.60 %	-8.61 %	-11.72 %	-1.87 %	-5.85 %	-2.42 %	-5.48 %	-6.75 %
Dallas	-0.51 %	-1.30 %	-0.68 %	-2.52 %	-4.00 %	-0.42 %	-0.92 %	-0.35 %	0.34 %	-1.74 %
El Paso	-3.25 %	-10.73 %	-2.87 %	-8.92 %	-12.40 %	-2.77 %	-4.45 %	-2.40 %	-9.93 %	-6.73 %
Harris	-0.44 %	-2.76 %	-1.23 %	-3.44 %	-9.06 %	-0.31 %	-0.81 %	-0.62 %	-5.50 %	-3.84 %
Lubbock	0.99 %	0.10 %	5.36 %	4.85 %	1.93 %	0.37 %	-0.19 %	0.01 %	6.38 %	2.20 %
Nueces	0.10 %	1.32 %	1.11 %	-2.35 %	-1.74 %	0.00 %	0.08 %	-0.10 %	-0.55 %	-1.01 %
Tarrant	-0.21 %	-0.19 %	-0.45 %	-0.26 %	-1.67 %	-0.02 %	-0.05 %	-0.06 %	0.47 %	-0.55 %
Travis	-0.03 %	-1.68 %	2.86 %	0.32 %	-4.33 %	0.03 %	-0.27 %	-0.22 %	-1.62 %	-0.84 %
Total	-0.69 %	-2.42 %	0.08 %	-3.25 %	-6.62 %	-0.57 %	-1.06 %	-0.77 %	-2.17 %	-2.95 %

Footnotes:

(1) Equals the savings resulting from application of the legislative-mandated 8% inpatient facility reduction and DRG rebasing.

(2) Equals FY2010 health plan fee-for-service claims for all services (ICHP provided encounter data). Includes expansion counties.

(3) Equals estimated savings divided by FY2010 Total Incurred Claims. Assumes two month delay in implementation.